85th ANNUAL REPORT MONTREAL TRUST 1974

HIGHLIGHTS

	1974	1973
REVENUE	$ 39,314,000	$ 37,551,000
NET OPERATING INCOME	$ 2,464,000	$ 4,200,000
PER SHARE	$ .96	$1.64
NET INCOME	$ 2,727,000	$ 4,399,000
PER SHARE	$1.06	$1.71
DIVIDENDS DECLARED	$ .80	$ .80
ASSETS	$696,286,000	$627,441,000
SHAREHOLDERS' EQUITY	$ 39,341,000	$ 38,675,000

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Montreal Trust
1 Place Ville Marie
Montreal, Quebec H3B 4A8

BOARD OF DIRECTORS
December 31, 1974

CLARENCE E. ATCHISON
Vice-Chairman of the Board
The Investors Group, Winnipeg

DOUGLAS A. BERLIS, Q.C.
Messrs. Aird, Zimmerman & Berlis
Toronto

KENNETH H. BROWN, O.B.E., Q.C.
Messrs. Lafleur & Brown, Montreal

*FRANK E. CASE
Chairman of the Board, Montreal

STUART A. COBBETT
Vice-President, Lewis, Apedaile & Hanson, Inc., Montreal

*PETER D. CURRY
President and Chief Operating Officer
Power Corporation of Canada, Limited
Montreal

PAUL G. DESMARAIS
Chairman and Chief Executive Officer
Power Corporation of Canada, Limited
Montreal

HON. JOHN M. GODFREY, Q.C.
Messrs. Campbell, Godfrey & Lewtas
Toronto

MYRWIL L. GOEGLEIN
Chairman of the Board
Laurentide Financial Corporation Ltd.
Vancouver

*MATTHEW S. HANNON, Q.C.
Messrs. Ogilvy, Cope, Porteous, Montgomery, Renault, Clarke & Kirkpatrick, Montreal

JAMES G. HAXTON
Senior Vice-President, Montreal

*ROBERT H. JONES
President and Chief Executive Officer
The Investors Group, Winnipeg

J. TAYLOR KENNEDY
President and Chief Executive Officer
Canada Cement Lafarge Ltd., Montreal

HON. JEAN LESAGE, P.C., C.C., Q.C.
Messrs. Lesage, Demers, Lesage & Brochu
Quebec

R. deWOLFE MacKAY, Q.C.
Messrs. Duquet, MacKay, Weldon & Bronstetter, Montreal

JOHN E. MAIN
Senior Vice-President, Montreal

PIERRE MAURER
President—Canadian Operations
Metropolitan Life Insurance Company
Ottawa

*MacKENZIE McMURRAY
Chairman of the Board, Dominion Bridge Company, Limited, Montreal

J. WILLIAM E. MINGO, Q.C.
Messrs. Stewart, MacKeen & Covert
Halifax

*GAETAN C. MORRISSETTE
Chairman of the Board
Standard Brands Limited, Montreal

*PAUL BRITTON PAINE, Q.C.
President and Chief Executive Officer
Montreal

*DOUGLAS J. PEACHER
President, Simpsons-Sears Limited
Toronto

*ALVIN C. RICE
Executive Vice-President—Europe, Middle East & Africa Division
Bank of America NT & SA
London, England

HON. DUFF ROBLIN, P.C., C.C.
Executive, Montreal

JOHN J. SAUCIER, Q.C.
Messrs. Jones, Black, Gain & Laycraft, Calgary

ALBERT E. SHEPHERD, Q.C.
Messrs. Shepherd, McKenzie, Plaxton, Little & Jenkins, London

HERSHELL A. SMITH, D.S.O., M.C.
President, Sooke Forest Products Ltd.
Victoria

CHARLES E. STANFIELD
Vice-President and Director
Stanfield's Limited, Truro

SAM STEINBERG
Chairman of the Board and Chief Executive Officer, Steinberg's Limited
Montreal

ARTHUR V. TOUPIN
Executive Vice-President—Bank Investment Securities Division
Bank of America NT & SA
San Francisco, California

DENNIS K. YORATH, M.B.E.
Vice-Chairman
IU International Corporation
Edmonton

*Executive Committee Member

OFFICERS

Frank E. Case
Chairman of the Board

Paul Britton Paine, Q.C.
President and Chief Executive Officer

Matthew S. Hannon, Q.C.
Chairman of the Executive Committee

HEAD OFFICE

James G. Haxton
Senior Vice-President, Client Services

John E. Main
Senior Vice-President, Special Projects

Harold T. Martin
Vice-President, Branch Operations

John H. Baker
Vice-President, Real Estate

Norman Cunningham
Vice-President, Investments

J. Frank Luce
Vice-President, Personnel

J. Grant Paterson
Vice-President, Mortgages

J. Gordon Telfer, C.A.
Vice-President and Comptroller

J. Kevin Reynolds
Company Secretary

John J. Davidson
Assistant Vice-President, Administration

Robert J. Labelle
Assistant Vice-President, Mortgages

Douglas B. Macklaier
Assistant Vice-President, Corporate Trust

G. Douglas Peaker
Assistant Vice-President, Real Estate

W. Kenneth Proctor
Assistant Vice-President, Data Processing

REGIONAL

Douglas A. Mercer
Vice-President, Atlantic Region — Halifax

Jean Luc Dutil
Vice-President, Quebec Region — Montreal

Douglas T. Waite
Vice-President, Ontario Region — Toronto

Gordon C. McDonell
Vice-President, Mid-West Region — Winnipeg

George Stephen
Vice-President, Western Region — Vancouver

Brian R. O'Malley
Assistant Vice-President — Toronto

Ronald Bond
Assistant Vice-President — Vancouver

FUNDSERVICE — Toronto

Robert M. Campbell
Director

Donald R. Kester
Vice-President, Nassau, Bahamas
(Seconded to Trust Corporation
of Bahamas Limited)

DIRECTORS' REPORT TO SHAREHOLDERS

On behalf of the Board of Directors, we are pleased to submit the Company's 85th Annual Report together with the Consolidated Financial Statements for 1974.

Net operating income for the year was \$2,464,000, down from \$4,200,000 in 1973. Net operating income per share was \$0.96 (\$1.64 in 1973) while net income per share was \$1.06 (\$1.71 in 1973).

In 1974 we were adversely affected by several external forces beyond our immediate control. The most serious of these was the regrettably high rate of inflation with its accompaniment of record high short-term interest rates and substantial increases in all areas of operating costs. These circumstances, together with minimal new equity financing, reduced stock market activity and lower than anticipated levels of debt financing, combined to reduce profit ratios in our various areas of operation.

Revenue and Expense

While fee and commission income (ex real estate) increased by 10% in the year — a growth which might be considered satisfactory in more normal circumstances — the expense involved in earning it rose by 14%. Salaries and benefits, a major element in our overall costs, increased by some 13%. The earnings of individual employees rose by a greater amount than this, for we were able to achieve higher productivity and accordingly to operate efficiently with some reduction in total staff.

Real estate commissions, both earned and paid out, increased by 32% — a satisfactory expansion of this aspect of our operations. It must, however, be borne in mind that real estate selling is a highly competitive service with narrow profit margins, and volume growth in this area has a limited impact on net profit. This is particularly true during an expansionary phase such as we chose to pursue last year.

It goes without saying that our various areas of operations must yield an adequate return in order that we may continue to provide the high quality of service of which we are properly proud. Accordingly the increases in costs recounted above have of necessity caused us to make some upward revisions in our fee schedules, in many instances effective at the commencement of 1975.

Guaranteed Trust Accounts

We entered 1974 with the expectation (then broadly shared) that interest rates would trend downward and settle at lower than year-end levels by early in the third quarter. This expectation contrasted rather sharply with the facts as they emerged. While rates were level in the first quarter, they rose sharply in the second and third quarters. An example of this interest curve may be found in our non-chequing savings account rate; this was 5% on January 1, 1973, 6¾% on January 1, 1974 and 9¼% on August 1, 1974 — representing an 85% increase from January 1, 1973 and a 37% increase in the first seven months of 1974.

In our Annual Report of last year we noted that we held substantial long-term assets commanding lower yields than those then currently available. By reason of the material

rise in interest rates, the cost of monies to carry these assets markedly exceeded the income generated by them, and in consequence impinged upon the net income earned from our later-acquired portfolio of 5-year mortgages financed by 5-year certificates.

Balance Sheet

In 1974 our total assets increased from $627,441,000 to $696,286,000.

You will note an increase in our cash and deposit receipts. This arises from accelerated activity by clients in short-term commitments as well as our increased use of higher yielding bank term deposits in place of short-term government bonds to meet statutory liquidity requirements.

The increase in mortgages ($62,834,000) reflects a continuation of our policy to concentrate growth in 5-year residential mortgages with funds provided through sale of 5-year investment certificates.

At year-end, shareholders' equity was $15.27 compared with $15.01 a year before.

Dividends

On January 30th last we reported that the Directors had declared a dividend of 15 cents per share, payable February 28. This reduction from the 20 cent quarterly rate maintained in 1974 was considered appropriate in view of our current policy of assuring the retention of a suitable portion of earnings in order to expand our base for future growth.

Auditors

Since 1954 the Company has engaged Messrs. Touche Ross & Co. and Messrs. Price Waterhouse & Co. as joint auditors. The use of two is not customary in our industry and necessarily involves some duplication of effort on the part of both the auditors and of management. After considering the matter in detail, the Directors have agreed with the recommendation of their Audit Committee to retain one firm of auditors in future, and a resolution to appoint Messrs. Touche Ross & Co. will be placed before the Annual Meeting. Both firms have served us equally well and the selection of the continuing firm has been a difficult one. It goes without saying it involves no criticism of Messrs. Price Waterhouse & Co. to whom we are indebted for their effective efforts on our behalf over many years.

Directors

In April 1974, Messrs. A. Émile Beauvais, C.A., D.F.Sc., and George R. Berry resigned as directors of the Company. Mr. Beauvais had been a member of the Board for six years while Mr. Berry had served for ten years as well as being a member of the Executive and Audit Committees of the Board for the past three years. Their contributions of time and talent to the welfare of the Company are acknowledged with gratitude.

During the year, Pierre Maurer of Ottawa and Douglas A. Berlis, Q.C., of Toronto, were appointed as directors. Mr. Maurer is President — Canadian Operations of Metropolitan Life Insurance Company, and Mr. Berlis is a senior partner of Messrs. Aird, Zimmerman & Berlis.

In January 1975, the Board of Directors regretfully accepted the resignation of the Hon. Duff Roblin, P.C., C.C.

Mr. John J. Saucier, Q.C., of Calgary, will not be standing for re-election at the forthcoming Annual Meeting, having reached the statutory age limit set in the Company's By-laws. Mr. Saucier has been a director since 1966 and has been a valued member of the Board who well represented the Company's interests in Western Canada.

Advisory Boards

A number of changes have taken place in several of our Advisory Boards.

We record with regret the death of Mr. P. J. Wilcox, a member of our Truro, Nova Scotia Board for many years.

The following Advisory Board members retired: H. F. Bethel, R. A. MacGregor and C. J. MacLennan, Truro, N.S.; P. D. Bowring and J. R. Parsons, Newfoundland; Hon. Hugh John Flemming, P.C. and J. Harper Kent, Saint John, N.B.; and D. A. Thompson, Q.C., Winnipeg.

We thank these gentlemen for their support and assistance over the years.

New appointments to Advisory Boards were made: In Truro — G. I. Smith, Q.C., R. Lorne MacDougall, Q.C. and R. J. MacLennan; in Newfoundland — David R. Baird, C.A. and James J. Greene, Q.C.; and in Winnipeg — Robert M. Chipman and Laurie O. Pollard.

New Chairmen were appointed: In Winnipeg — C. E. Atchison; in Saint John, N.B. — Col. James H. Turnbull, E.M., C.D., F.I.I.C.; and in Newfoundland — Francis J. Ryan, Q.C.

Personnel

On February 10, 1974, we were deeply saddened by the death of Gordon W. Hodgson, then Vice-Chairman of the Board. As a result of his passing, we have lost not only an esteemed colleague and capable administrator but also a valued personal friend. Mr. Hodgson joined the Company in 1958 as Executive Assistant and served successively as Assistant General Manager, Vice-President, Executive Vice-President and President. His outstanding ability and business experience contributed in a large measure to the growth and development of the Company.

Branch Changes

During the year plans were made to relocate our branches in Winnipeg and Halifax. Moves will be completed to new modern premises early in 1975. We are expanding our Company's activities in Ontario with the opening of a branch in Kitchener scheduled for March 1975. Mr. John F. Visser has been appointed Manager of this office. Other management changes effected during 1974 include the appointment of Jean Paul Labbé as Manager at Quebec City, W. Frank O'Connor, Manager at London, Ontario, J. H. Barrie Lennox, Manager at Windsor.

Outlook

Forecasting is a chancy affair — one has only to look at the prognoses of a year ago to underline this truism.

Nonetheless, we must survey the future as we see it today, for the planning process necessarily involves certain assumptions upon which we base our strategy for 1975.

Experience has taught us to retain flexibility in these plans in order that we may respond with alacrity to changes in components of the scenario from those which we currently foresee.

With this reservation, then, the following outlines our views of the year ahead:

We believe that business conditions and overall economic performance will be sluggish for a good part of 1975. While strongly expansive fiscal policy and a sufficiently accommodating monetary policy should foster the beginnings of recovery in the second half of the year (and rather later than sooner), on the whole growth in real terms will likely fall well short of 1974 performance which itself was well below trend-line growth. We also are of the view that rising costs and prices will continue to encroach on real growth, and only a minor moderation in inflation can be expected as sharply higher wages and energy costs work their way through the production system.

In the framework of this overview, we have observed the sharp decline in short-term interest rates from year-end to the date of this report. This, through a ripple effect, has influenced a moderation of medium-term and longer-term rates, although of a lesser magnitude.

It is our opinion that short-term rates will continue their decline in stages throughout the first half of the year at least. Upon this assumption, we are encouraged that this return to a more normal yield curve will lead in turn to restoration of a more realistic profit ratio in our Guaranteed Trust Accounts as the year progresses.

On the corporate side, given the present outlook for stable (if still high) long-term interest rates, it is reasonable to expect that financing in debt markets should be quite extensive. If this is indeed the fact, we would anticipate improved earnings from our substantial corporate trust division, a leader in its field.

Our view of slower economic activity coupled with rising costs has an unfortunate consistency with expectations of a leveling in pre-tax corporate profits. In spite of this, the outlook for recovery later in the year provides a ground for optimism: it furnishes a basis for eventual investor recognition of the depressed values in the equity markets. This, in turn, should permit corporations to return again to stock financing to provide a significant portion of their capital requirements.

All in all, 1974 was a somewhat difficult year. We are pleased to acknowledge our gratitude to our highly trained and capable staff who coped with it very well indeed.

Once again, we encourage our shareholders to attend the Annual Meeting which will be held on April 3, 1975 at Hotel Bonaventure.

On behalf of the Board:

Frank E. Case

Frank E. Case
Chairman of the Board

Paul Britton Paine

Paul Britton Paine
President and Chief Executive Officer

Montreal, Quebec, January 31, 1975

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1974

	1974	1973
REVENUE		
Fees and commissions	$22,413,000	$20,380,000
Real estate commissions	9,924,000	7,518,000
	32,337,000	27,898,000
Guaranteed Trust Accounts		
Interest earned		
Mortgages	36,701,000	27,541,000
Other investments	16,856,000	15,925,000
	53,557,000	43,466,000
Less interest paid	51,903,000	37,630,000
	1,654,000	5,836,000
Interest, dividends and other	5,323,000	3,817,000
	39,314,000	37,551,000
EXPENSE		
Salaries	14,558,000	12,894,000
Real estate commissions	6,497,000	4,918,000
Other expense (2)	14,029,000	12,020,000
	35,084,000	29,832,000
Income before income taxes	4,230,000	7,719,000
Income taxes	1,766,000	3,519,000
NET OPERATING INCOME	2,464,000	4,200,000
Profit on sale of investments, net of income taxes	263,000	199,000
NET INCOME	$ 2,727,000	$ 4,399,000
EARNINGS PER SHARE		
(based on average shares outstanding)		
Net operating income	$0.96	$1.64
Net income	$1.06	$1.71

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1974

ASSETS	1974	1973
ASSETS HELD FOR GUARANTEED TRUST ACCOUNTS		
Cash and bank deposit receipts	$ 68,162,000	$ 33,995,000
Loans, secured	9,668,000	12,053,000
Securities		
Marketable (3)	93,007,000	112,371,000
Not readily marketable	31,540,000	31,775,000
Mortgages	438,286,000	375,452,000
Mortgages for sale under agreement	4,498,000	11,097,000
Properties acquired by mortgage foreclosure	290,000	278,000
	645,451,000	577,021,000
COMPANY ASSETS		
Cash and bank deposit receipts	3,353,000	3,340,000
Loans, secured	1,050,000	3,500,000
Accounts receivable and advances to clients	7,777,000	6,084,000
Income taxes recoverable	195,000	305,000
Marketable securities (3)	12,307,000	10,972,000
Mortgages	4,964,000	3,941,000
Real estate held for investment	1,610,000	1,622,000
Investments in and advances to associated companies	4,067,000	5,892,000
Office premises, equipment and leasehold improvements (4)	13,494,000	13,167,000
Other assets	2,018,000	1,597,000
	50,835,000	50,420,000
	$696,286,000	$627,441,000

On behalf of the Board:

Frank E. Case, Director
Paul Britton Paine, Q.C., Director

AUDITORS' REPORT

To the Shareholders,
Montreal Trust Company.

We have examined the consolidated balance sheet of Montreal Trust Company and its subsidiaries as at December 31, 1974 and the consolidated statements of income, undivided profits and reserve for the year then ended, and have obtained all the information and explanations we have required. Our examination of the financial statements of Montreal Trust Company and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the

LIABILITIES AND SHAREHOLDERS' EQUITY

	1974	1973
GUARANTEED TRUST ACCOUNTS		
Deposits	$158,639,000	$138,795,000
Investment certificates	486,812,000	438,226,000
	645,451,000	577,021,000
COMPANY LIABILITIES		
Accounts payable and prepaid fees	1,136,000	1,547,000
Income taxes		
Current	—	300,000
Deferred	1,808,000	1,173,000
Long-term debt of a subsidiary (4)	8,550,000	8,725,000
	11,494,000	11,745,000
SHAREHOLDERS' EQUITY		
Capital stock:		
Authorized — 5,000,000 shares of $1 par value		
Issued — 2,576,675 shares (5)	2,577,000	2,577,000
Reserve	33,000,000	33,000,000
Undivided profits	3,764,000	3,098,000
	39,341,000	38,675,000
	$696,286,000	$627,441,000

circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1974 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
PRICE WATERHOUSE & CO.
Chartered Accountants
Montreal, Quebec, January 29, 1975.

CONSOLIDATED STATEMENT OF UNDIVIDED PROFITS FOR THE YEAR ENDED DECEMBER 31, 1974

	1974	1973
Balance at beginning of year	$ 3,098,000	$ 2,300,000
Net income	2,727,000	4,399,000
	5,825,000	6,699,000
Dividends	2,061,000	2,059,000
Transfer to reserve	—	1,542,000
	2,061,000	3,601,000
Balance at end of year	$ 3,764,000	$ 3,098,000

CONSOLIDATED STATEMENT OF RESERVE FOR THE YEAR ENDED DECEMBER 31, 1974

	1974	1973
Balance at beginning of year	$33,000,000	$31,000,000
Premium on capital stock subscribed for by employees under stock options	—	458,000
Transfer from undivided profits	—	1,542,000
Balance at end of year	$33,000,000	$33,000,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1974

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company include the accounts of the Company and its subsidiaries, all of which are wholly owned. The principal subsidiaries are The Acadia Trust Company, Investors Trust Company, Montreal Trust Mortgage Corporation, Riveredge Village Inc., Treal Properties Limited and Treaver Properties Limited. Riveredge Village Inc. was an associated company in 1973 and became a wholly owned subsidiary at the beginning of 1974.

The investment in associated companies is stated at cost and earnings of associated companies are taken into income only to the extent of dividends received. These companies and the Company's interest therein at December 31, 1974 were: RoyNat Limited (13.5%), RoyWest Banking Corporation (7.5%), Insmor Holdings Limited (7.14%), Montreal Trust (Bermuda) Limited (40%), Montrad Limited (50%), Alberti Navigation Inc. (10%) and Pacific International Trust Company (12.5%).

There were no changes in accounting principles from the prior year; prior year's figures were adjusted to conform with changes in presentation made in 1974. All revenue and expenses are recorded on an accrual basis except for fees subject to awards by courts or negotiation, which are recorded on a cash received basis. Securities, including mortgages, are valued at amortized cost; gains or losses on sale of securities, based on average cost, are reflected in net income. Premises and equipment are stated at cost less accumulated depreciation and amortization.

Assets held under administration and assets held for Guaranteed Trust Accounts are kept separate from the Company's own assets and are so earmarked on the books of the Company as to show the account to which they belong. Assets under administration are not reflected in the Consolidated Balance Sheet.

Note 2: OTHER EXPENSE

Other expense includes depreciation and amortization of $900,000 (1973—$853,000) and interest on the long-term debt of a subsidiary $471,000 (1973—$480,000).

Note 3: MARKETABLE SECURITIES

	1974		1973	
	Cost	Market	Cost	Market
Guaranteed Trust Accounts—				
Government of Canada	$18,020,000	$17,021,000	$ 33,271,000	$ 32,020,000
Provinces of Canada	8,576,000	8,060,000	9,743,000	9,408,000
Canadian municipalities	1,991,000	1,958,000	2,404,000	2,364,000
Corporate bonds, debentures and obligations	64,420,000	63,194,000	66,953,000	65,953,000
	$93,007,000	$90,233,000	$112,371,000	$109,745,000
Company Accounts—				
Government of Canada	$ 136,000	$ 120,000	$ 137,000	$ 117,000
Provinces of Canada	521,000	462,000	521,000	462,000
Corporate bonds, debentures and obligations	31,000	25,000	31,000	25,000
Stocks	11,619,000	10,072,000	10,283,000	11,664,000
	$12,307,000	$10,679,000	$ 10,972,000	$ 12,268,000

Note 4: LONG-TERM DEBT

Treal Properties Limited, a subsidiary company, has outstanding 5½% first mortgage sinking fund bonds due April 1, 1991. Office buildings in Toronto and Ottawa, owned by the subsidiary and occupied by the Company, with a net book value of $9,019,000 are pledged as security for the bonds. Sinking fund payments, ranging from $175,000 to $250,000 are due in 1975 to 1990 and the balance of $5,000,000 is due April 1, 1991. The buildings are being depreciated by annual amounts equal to the sinking fund payments, which by April 1, 1990 will amount to 50% of the original cost.

Note 5: CAPITAL STOCK

Options have been granted to certain employees to purchase shares of the Company at prices ranging from $11.25 to $18.00 per share. In 1974 no options were exercised and there were 23,375 shares under option at December 31, 1974.

COMMENTARY

Mortgages

Total commitments for investor clients and Guaranteed Accounts approximated $157 million in 1974. The high level of mortgage production experienced in 1973 continued throughout the first quarter of 1974 but then slackened as prime mortgage interest rates moved up rapidly to an all-time high of 12¼%, declining to 11¾% at year-end.

Single family residential loans accounted for more than 90% of mortgage investments made for Guaranteed Accounts.

We now administer more than 43,000 individual loans totalling in excess of $1.35 billion.

The demand for mortgages in 1975 will depend upon economic conditions and should accelerate as interest rates continue to decline.

Real Estate Sales

In 1974 real estate sales volume reached a new high, $245,900,000, a 30% increase over the preceding year.

We continued to expand with the opening of five new offices, bringing the total to 44 sales offices in Canada. These offices employed approximately 550 sales personnel at year-end. We anticipate opening new offices in 1975, but the real estate branch structure will be under continuous review to ensure that each office is now, or is demonstrably capable of, producing profitable results.

Guaranteed Accounts

In 1974 interest rates paid on savings deposits and Guaranteed Investment Certificates remained competitive with other forms of savings instruments with the result that both certificates issued and the dollar volume of deposit liabilities showed substantial gains.

The number of depositors holding certificates at year-end increased from 28,300 to 34,600 and the number of certificates outstanding increased from 45,100 to 54,900 with the major growth occurring in long-term deposits.

Montreal Trust introduced compound interest and monthly interest payment options on five-year certificates in early 1974. The new options accounted for a material portion of the five-year funds acquired in the year. In addition, clients electing to receive semi-annual interest payments may now choose interest payment dates to suit their requirements.

Pension and Benefit Fund Services

The increased frequency of contact and improvement of our services to clients initiated during 1973, is now showing positive results. Growing interest is evident on the part of prospective clients for both Pension and Benefit Fund Services. A continuation of this trend is expected and a good climate for business development appears certain for 1975.

Favourable performance results for separately managed and Pooled Pension Funds relative both to market indicators and to published comparative fund results have created renewed interest in our investment management capability.

Income from investment management and fund administration grew substantially during 1974, reflecting an increase in the number of accounts and the volume of assets administered and the widening of our services to clients.

Revised fee scales for full management accounts have been instituted effective January 1, 1975, in order to maintain quality service in the face of continuing inflationary cost increases.

Corporate Services

The combined operating results for our services as Stock Transfer agent and Trustee of debt issues were satisfactory in relation to market activity during the year.

Revenues derived from the more routine functions performed by Stock Transfer continued to be adversely affected by reduced stock trading activity. Some improvement in the earnings of the Department resulted from an increased demand for special services, including rights issues, re-organizations and amalgamations and by the receipt of new transfer agency appointments.

The Corporate Trust Department showed an improved growth after a below average year in 1973.

Personal Trust Services

Estate, Trust and Agency Services for individuals continued to grow at a satisfactory rate during the year. However, the cost of providing service in this people-intensive area of operations rose significantly as inflationary pressures pushed salaries and benefits to record levels.

In order to maintain our high standard of service and to provide satisfactory profit levels, fees for Agency services have been increased with effect from January 1, 1975. Measures have been introduced which we expect will result in compensation better related to our operating costs in Estate and Trust activities.

Investment Funds

The Montreal Trust Retirement Savings Plan experienced unprecedented growth during 1974. Assets of the Plan grew by more than 35% despite declines in market values. We continued to acquire group retirement savings plans from various associations and corporations and the outlook for this service continues to be promising.

During the year the number of Deferred Profit Sharing Plans under administration continued to grow. Inflation and high interest rates during 1974 were largely responsible for the lower than expected activity in our Equity, Bond and Mortgage Funds.

We introduced a new product — Income Averaging Annuity Contracts. These contracts have been offered since July and results to date show a significant market demand.

We have established a Registered Homeownership Savings Plan and anticipate offering this plan to the public early in 1975.

Fundservice

This Division completed its fifth year of operations with the addition of a significant number of new corporate clients. As well, in 1974, the number of major Canadian financial institutions using the Fundservice System on a royalty basis materially increased.

A major part of Fundservice's activity in the past year was the development of Groupservice, a comprehensive package of record-keeping services for groups and associations. This innovative packaging of clerical and computer systems has attracted wide interest.

Marketing

Economic and market conditions during the year had a major effect on the thrust of our new business development efforts. New opportunities in Guaranteed Investment Certificates, mortgage loans, Mortgage Fund, and our corporate services, which rely on new debt and equity issues, were exploited to the degree permitted by the economic environment existing during the year.

A comprehensive cross-selling program was initiated to capitalize on the new business potential through providing additional services to our clients.

Data Processing

New data communication equipment was installed at branches during the year and the client trust accounting service extended to our offices in Saint John, Halifax, Regina, and Quebec City. Computer output on microfiche, a form of microfilming, has been introduced to speed the flow of information and to reduce paper handling and filing costs.

A new financial reporting system using Data Base concepts has been introduced which will speed and improve the accounting records used by all levels of management. A detailed analysis of the systems serving our Pension and Personal Trust clients has been completed and a redesign of our systems serving these major areas is now underway. These redesigned systems will improve internal operating efficiency.

Personnel Services

Of major concern in 1974 was the effect of inflation on salaries, resulting in abnormally high wage adjustments; accordingly we have implemented increases to the extent appropriate to attract and retain competent personnel.

Our benefits provide excellent coverage for our employees, and are under constant review in the light of rapidly changing legislation and life styles.

A number of staff development programs were implemented at regional and local levels. New programs introduced this past year included a job posting procedure, a communications vehicle for employee complaints, a procedure for flexible hours in some locations, and a conversion to a bi-weekly payroll system. Many of these were initiated in response to employee requests as expressed directly and through questionnaires and surveys.

10 YEAR SUMMARY

YEAR	GUARANTEED AND COMPANY ASSETS	REVENUE	EXPENSE	TAXES ON INCOME	NET OPERATING INCOME	PER SHARE NET OPERATING INCOME	PER SHARE *DIVIDENDS
1974	$696,286,000	$39,314,000	$35,084,000	$1,766,000	$2,464,000	$ .96	$ .80
1973	627,441,000	37,551,000	29,832,000	3,519,000	4,200,000	1.64	.80
1972	593,222,000	33,913,000	25,479,000	3,860,000	4,574,000	1.82	.80
1971	545,298,000	30,991,000	23,320,000	4,000,000	3,671,000	1.50	.70
1970	509,682,000	25,624,000	22,569,000	1,435,000	1,620,000	.66	.55
1969	495,578,000	25,370,000	21,326,000	2,175,000	1,869,000	.76	.60
1968	450,144,000	21,950,000	19,247,000	1,147,000	1,556,000	.67	.60
1967	414,228,000	20,465,000	16,929,000	1,491,000	2,045,000	.93	.65
1966	414,985,000	19,577,000	15,749,000	1,707,000	2,121,000	.97	.62
1965	384,566,000	18,596,000	14,524,000	1,960,000	2,112,000	.97	.50

*Declared with respect to the year's earnings.

ADVISORY BOARDS

January 30, 1975

Brockville, Ont.

*J.R. Anstis
T.C. Cossitt
G.D. Hale
J.W. Langmuir
T.A. Lindsay
H.A. Reynolds
D.T. Waite

Halifax, N.S.

*A.E. Johnson
S.S. Jacobson
J.W.E. Mingo, Q.C.
W.O. Morrow
G.D. Stanfield

Newfoundland

*F.J. Ryan, Q.C.
David R. Baird
L.M. Brown
Hon. J.C. Crosbie
James J. Greene, Q.C.
D.C. Hunt, Q.C.
G.R. Parsons
C.C. Pratt

Saint John, N.B.

*J.H. Turnbull
J.W. Black
A.D. Case
H.H. Gunter, Q.C.
L. Lockhart
G.R. Spencer

Truro, N.S.

*C.E. Stanfield
J.G. Glassey
R.L. MacDougall, Q.C.
R.J. MacLennan
G.I. Smith, Q.C.
F.T. Stanfield
W.H. Yeadon

Winnipeg, Man.

*C.E. Atchison
H. Buchwald, Q.C.
R.M. Chipman
C. Lowe
F.O. Meighen, Q.C.
L.O. Pollard
C.S. Riley
D. Sprague
A. Sweatman, Q.C.

* *Chairman*

OFFICES

HEAD OFFICE
1 Place Ville Marie, Montreal, Quebec

BROCKVILLE, ONT.
W. Peter Lewis, Manager

CALGARY, ALTA.
R. Earl Foster, Manager

CHARLOTTETOWN, P.E.I.
Edgar G. Goss, Manager

EDMONTON, ALTA.
Robert L. Schmidt, Manager
SOUTHGATE SHOPPERS MALL

HALIFAX, N.S.
R. Ross Pritchard, Manager

HAMILTON, ONT.
Albert E. Hetherington, Manager

KELOWNA, B.C.
Clarence A. Irish, Manager

KITCHENER, ONT.
John F. Visser, Manager

LONDON, ONT.
W. Frank O'Connor, Manager

MONTREAL, QUE.
Jean Luc Dutil, Vice-President
PLACE VERSAILLES
POINTE CLAIRE

OTTAWA, ONT.
Hugh R. Williams, Manager

QUEBEC, QUE.
Jean Paul Labbé, Manager
John T. Wilson, Deputy Manager

REGINA, SASK.
Morris E.L. Sims, Manager

SAINT JOHN, N.B.
Cedric A. Stokes, Manager

ST. JOHN'S, NFLD.
Edgar N. Ellis, Manager

SASKATOON, SASK.
R. Eugene B. Griffith, Manager

SUDBURY, ONT.
Frank E. Robinson, Manager

TORONTO, ONT.
Brian R. O'Malley, Assistant Vice-President
D. C. Michael Field, Deputy Manager
FUNDSERVICE
Robert M. Campbell, Director

TRURO, N.S.
E. Keith Urwin, Manager

VANCOUVER, B.C.
Ronald Bond, Assistant Vice-President
Onslow F.A. Oram, Deputy Manager
OAKRIDGE SHOPPING CENTRE

VICTORIA, B.C.
David H. Baird, Manager

WINDSOR, ONT.
J.H. Barrie Lennox, Manager

WINNIPEG, MAN.
Gordon C. McDonell, Vice-President
E. Wallace Campbell, Deputy Manager

OVERSEAS

HAMILTON, BERMUDA
Montreal Trust (Bermuda) Limited
W. T. Wilson, President

NASSAU, BAHAMAS
Montreal Trust Company (Bahamas) Limited
Donald R. Kester, President

REAL ESTATE OFFICES
(including those located at branch or savings offices)

Brockville
Burlington
Calgary (2)
Edmonton (4)
Halifax
Hamilton
Kelowna
London
Montreal (8)
Ottawa
Quebec (3)
Regina
Saint John
St. John's
Saskatoon
Sherbrooke
Sudbury
Toronto (4)
Vancouver (5)
Victoria (3)
Windsor
Winnipeg

Montreal Trust

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